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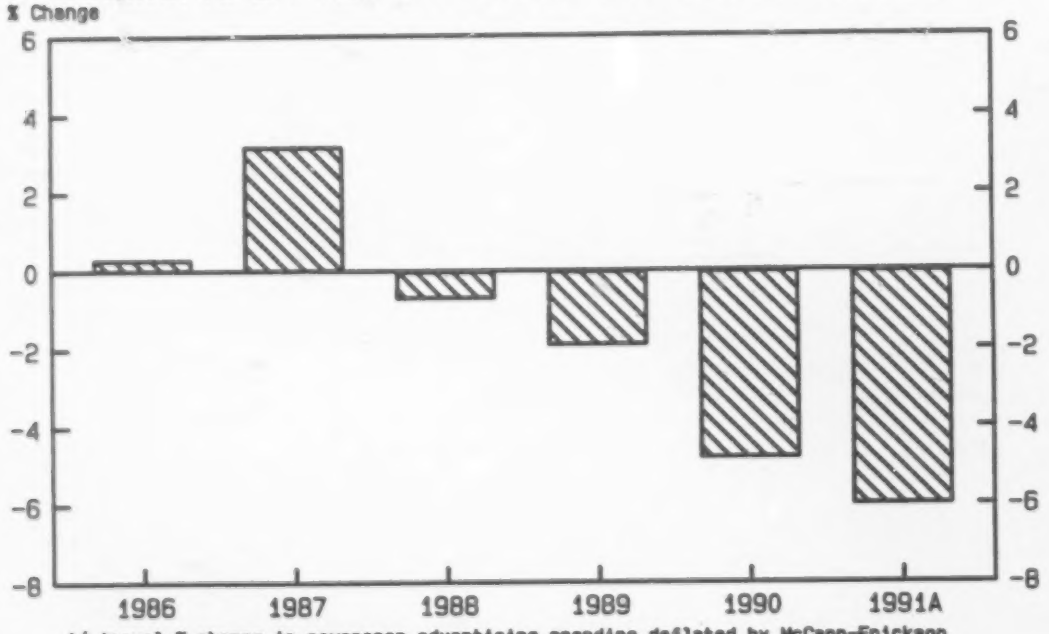
NEWSPRINT MARKET CONDITIONS

NEWSPAPER ADVERTISING EXPOSURE[1/] TRENDS



1/ Annual % change in newspaper advertising spending deflated by McCann-Erickson Cost-Per-Thousand Index

A= Annualized

NOVEMBER, 1991

American Paper Institute

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This report was prepared by the API Economics Department under the direction of Richard Storat, Vice President, Economics and Financial Services, for the sole use of members of the Newsprint Division of the American Paper Institute. Inquiries or comments should be addressed to Doug Shaw at 212-340-0695.

SUMMARY

- Newsprint shipments to U.S. markets from all sources through the first nine months of the year were 7.5% below their prior year level. Consumption of newsprint by all users had fallen by 8%. Daily newspaper consumption dropped by almost 9% and non-newspaper use was off by 6%.

- As newspapers struggle to increase advertising revenue and circulation, their difficulties can be directly linked to fundamental business conditions: retailing, auto sales, employment and help wanted advertising and real estate.

- Regional business patterns and demographics present varying degrees of weakness and manifest themselves in circulation and ROP linage trends.

- ROP linage has been off by an estimated 11% in the Northeast, 5% in the West and the Midwest and nearly 4% in the South. Longer term circulation trends of dailies show steady decline in the Northeast and Midwest but gains in the South and West. For the first 6 months of 1991 daily circulation of the top 100 papers was off by 2.1%, Sundays by 0.7%.

- Almost all advertising media have been severely affected by reductions in spending caused by a concatenation of several related factors among them: reduced levels of working capital, tight credit, business restructuring, and a shift toward more promotional spending.

- Newspaper advertising in particular has suffered because retail sales have been so seriously depressed. As incomes firm, the year-to-year negative contrasts in such major categories as auto sales, real estate and help wanted advertising will gradually turn positive.

But there are many uncertainties yet to be resolved:

- The depressed state of the Northeastern economy could continue to dampen that region's newspaper outlook.

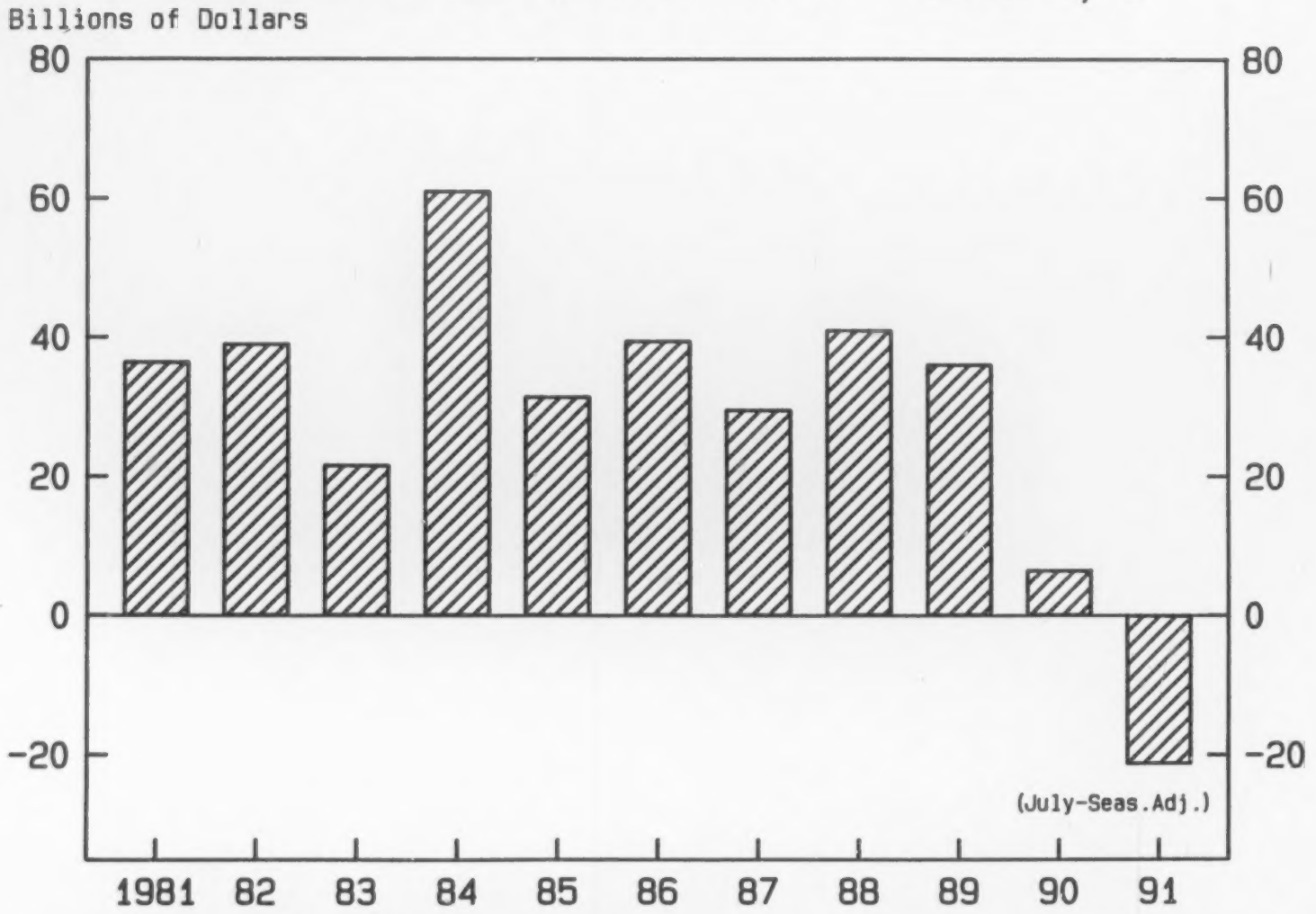
- Unsettling conditions have developed in the West, diminishing population induced buoyancy there.

- The Midwestern economy has fared better than other regions but local ROP linage and circulation have not benefited as much as hoped.

- The South, despite a soft business environment, appears to be offering the best prospects for newspapers.

Economics

ANNUAL CHANGES IN C & I* LOANS/1



* Commercial and Industrial U.S. Addressees

BUSINESS ENVIRONMENT

Until last fall's Gulf crisis, prospects for the economy were not especially worrisome. True, most analysts were expecting a shallow performance as a consequence of the financial restructuring process that was underway throughout the economy, but not the steep slide that ensued.

- The Gulf crisis created a shock that froze both business investment and consumer spending plans alike.
- Low levels of working capital are being exacerbated by a squeeze on credit and deterioration in creditworthiness.
- Intensive efforts at cost containment are forcing reductions in administrative staff and controllable expenses such as advertising.
- Inventory liquidation has been exceeding replacement.
- Capital formation is still being hobbled with consequent downsizing of and within the business macrocosm.

These economic patterns have influenced the performance of regional printing activity. Although production done for national distribution has also been depressed, printing with a regional or local focus has experienced varying degrees of weakness.

REGIONAL PRINTING ACTIVITY
(Year-To-Year % Change in Output)

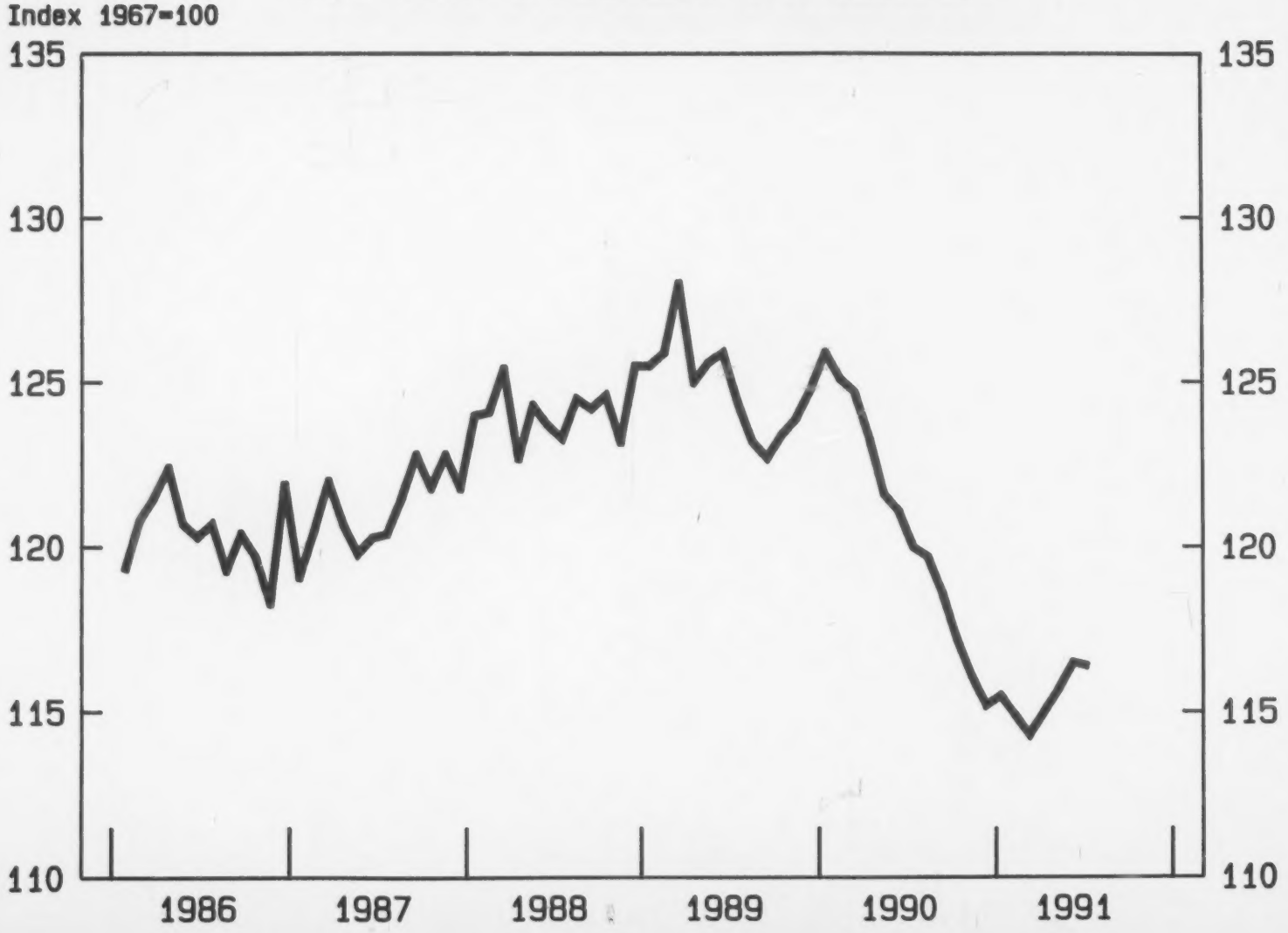
	1990		1991	
	Q3	Q4	Q1	Q2
Northeast	-0.2	-0.9	-3.9	-3.9
Southeast	3.2	3.3	-1.0	-1.9
East Central	4.5	3.4	1.1	1.2
North Central	5.1	4.0	1.8	1.6
South Central	3.5	3.8	0.6	0.4
West	4.5	4.3	1.5	-0.3
National	3.1	3.8	-0.2	-1.4

Source: API, Federal Reserve Board, Bureau of Labor Statistics

Not surprisingly the printing industry has suffered the worst decline in the Northeast, which has a heavy concentration in Finance, Insurance and Real Estate industries.

Economics

NET NEW BUSINESS FORMATION



Prospects for an improving business environment are guarded. Although the Federal Reserve has lowered interest rates, the ability of businesses and consumers to borrow has been diminished by high levels of debt and stricter bank lending standards. Other institutions such as finance companies and foreign banks may be more willing to accept loan applications but their terms and rates may be less acceptable to borrowers.

Yet recent government statistics and revisions expected to be announced in late November, suggest that the economy made an upward turn last spring. But cessation of inventory reduction could give a boost to GNP that might be more apparent than real during the next few quarters.

MAJOR ECONOMIC INDICATORS
(Percent Change Except Where Indicated)

	1989	1990	1991	1992
Real GNP	2.5	1.0	-0.5	2.3
Producer Price Index	5.1	4.9	2.1	2.2
Consumer Price Index	4.8	5.4	4.3	3.5
Auto Sales (Millions)	9.9	9.5	8.7	9.0
Housing Starts (Millions)	1.4	1.2	1.0	1.2
Industrial Production	3.4	1.0	-1.9	3.4

Source: API

ADVERTISING ACTIVITY

The advertising industry has been experiencing near depression conditions for almost 2 years. There are several explanations for this.

- Adverse financial conditions have forced companies to implement intensive cost containment programs in order to limit cash outflow. Advertising has been a major target of such policies.

- Corporate restructuring has eliminated or downsized a variety of organizations with the result that there are fewer brands and outlets being advertised.

- Money normally spent on traditional media is going into promotion. Manufacturers are paying "slotting fees" to assure themselves of shelf positioning in stores. Couponing strengthened this year as sellers reacted to increased price sensitivity by consumers.

- Imports of consumer goods have eased below year ago levels. These product lines are normally advertised more intensively than domestically produced goods. But, with foreign manufacturers' profits now under pressure, there has been less ad spending from those sources.

ADVERTISING EXPENDITURES AND MEDIA SHARES 1989-1990

INDUSTRY CATEGORY	AD SPENDING (Mil. $) 1989	1990	% CHG.	MEDIA SHARES (Percent) MAGAZINES 1989	1990	SUNDAY MAGAZINES 1989	1990	NEWSPAPERS 1989	1990	OUTDOOR 1989	1990	TELEVISION 1989	1990	RADIO 1989	1990
RETAIL	6,170.4	6,494.2	5.2	3.3	3.8	1.8	1.8	59.2	58.9	1.2	1.1	29.7	29.5	4.9	4.9
AUTO	5,382.7	5,700.7	5.9	16.4	15.8	0.5	0.4	16.4	14.2	1.1	0.9	61.8	64.6	6.3	4.0
FOOD	3,651.7	3,874.0	6.1	12.0	11.6	0.6	0.9	1.4	1.2	0.3	0.3	81.9	81.7	3.9	4.3
BUS,CON SVCS.	3,805.9	3,958.5	4.0	13.8	13.1	1.1	1.1	36.8	33.3	1.6	1.6	41.6	43.4	5.1	7.4
ENTERTAIN.	2,778.1	3,063.6	10.3	0.9	1.4	0.1	2.4	18.6	20.0	1.8	1.5	75.4	73.6	3.1	3.3
TOILET,COSMET	2,195.0	2,333.3	6.3	29.6	29.0	1.5	1.2	0.3	0.2	0.1	0.1	67.0	68.2	2.1	1.4
TRAVEL	2,075.2	2,215.9	6.8	17.6	16.9	1.9	1.7	47.3	47.3	2.4	2.3	24.8	26.0	5.9	5.8
DRUGS,REMED.	1,525.8	1,690.7	10.8	8.7	9.5	1.3	1.0	7.0	7.0	0.8	0.8	77.7	77.0	4.4	4.7
BEER,WINE & LQR	1,110.3	1,042.3	-6.1	23.1	26.6	1.2	1.3	2.9	1.8	5.2	5.4	60.9	57.2	6.6	7.6
DIR RES COS.	1,155.0	1,210.5	4.8	43.9	43.5	19.6	20.9	9.2	8.5	0.2	0.2	23.8	21.1	3.2	5.8
SNACK & SFT DRNK	1,077.8	1,231.0	14.2	5.0	5.2	0.3	0.3	1.5	1.8	0.6	0.8	86.2	85.8	6.4	6.1
APPAREL,FTWEAR	836.1	912.1	9.1	46.8	46.8	3.6	3.2	1.4	1.4	0.8	0.9	46.1	46.4	1.2	1.3
INS.& REAL EST	887.5	896.2	1.0	15.1	14.6	2.1	1.8	37.6	34.3	3.4	3.2	36.6	40.0	5.0	6.1
PUB. & MEDIA	709.8	739.8	4.2	27.1	29.1	0.6	1.1	35.0	31.5	6.7	5.2	25.4	25.5	5.1	7.5
CIG,TOBAC	675.0	585.2	-13.3	59.5	53.2	6.8	8.9	4.7	5.2	27.8	31.2	0.9	0.9	0.4	0.6
COMP,OFF SUP	647.0	604.1	-6.6	44.7	47.2	1.3	0.8	14.2	11.8	0.4	0.5	35.5	34.3	7.0	5.3
HOUHLD EQUIP	630.4	661.7	5.0	16.3	17.8	1.7	2.1	3.6	3.9	0.1	0.2	73.3	71.9	4.8	4.1
SOAP,CLEAN	599.6	632.9	5.6	11.3	9.6	0.4	0.1	0.5	0.5	0.4	0.4	87.2	88.4	0.3	1.0
SPT GDS, TYS	596.6	635.3	6.5	21.9	19.9	0.1	0.2	1.2	1.1	0.0	0.0	76.2	78.2	0.5	0.0
JEWEL,CAMER	360.8	367.4	1.8	42.5	42.5	3.2	2.7	3.2	2.2	0.5	0.8	49.7	50.1	0.9	1.6
BUILDING MAT	360.7	341.4	-5.4	22.7	26.7	2.2	2.2	15.6	15.3	0.4	0.5	54.9	50.9	4.3	4.5
HOUHLD FURN	324.4	280.9	-13.4	37.8	40.5	7.3	5.8	13.1	17.7	0.3	0.3	40.3	34.4	1.1	0.0
ELEC ENTERTAIN	336.6	339.6	0.9	30.5	26.5	0.8	1.3	3.6	4.0	0.5	0.6	57.4	60.8	7.1	6.8
GAS LUBRICANTS	308.1	343.6	11.5	9.3	11.6	0.5	0.5	8.4	7.0	2.0	1.9	69.1	63.6	10.7	15.3
PETS,PET FOOD	273.8	213.6	-22.0	16.7	13.5	1.6	1.5	1.7	3.6	0.1	0.2	78.1	79.1	1.8	2.2
HORTICUL & FARM	245.7	206.5	-16.0	10.0	10.7	1.3	2.5	20.3	23.5	0.4	0.5	48.1	51.4	6.0	11.3
FREIGHT	154.7	133.1	-14.0	30.7	27.9	3.0	0.2	7.8	7.9	0.1	1.1	52.1	59.2	6.3	3.8
INDUST MATERIAL	111.2	129.5	16.5	56.5	50.1	0.6	0.8	6.7	7.3	0.8	0.6	33.9	39.2	1.4	1.8
BUS PRPO	32.4	39.1	20.7	62.7	67.5	1.2	3.6	7.4	6.4	1.9	2.6	22.8	14.1	3.7	5.9
AIRPLANE,VACA	18.2	23.0	26.4	76.9	83.9	1.1	0.4	14.8	10.4	0.5	0.4	6.6	3.0	0.0	2.2
MISCELLANEOUS	236.0	238.3	1.0	59.0	54.8	6.4	7.8	21.4	24.0	10.3	10.5	2.7	1.7	0.2	1.1
TOTAL	39,272.5	41,138.0	4.8	16.8	16.4	1.9	1.9	22.3	21.6	1.8	1.7	53.0	53.8	4.5	4.6

Source: Advertising Age, API

- Overseas profits of U.S. producers have benefitted from increased foreign sales of consumer goods, justifying heavier ad spending in foreign markets.

Prospects for advertising expenditures in 1992 are not being viewed optimistically despite the upcoming quadrennial Olympics/Election year. In current dollar terms, outlays may advance by only 6-7%. 1992 commitments by advertisers to television broadcast time have not matched expectations and there is a substantial amount of time remaining unsold. Yet, other indicators suggest 1992 spending may not be as depressed as feared.

- 1992 should be a recovery year with consumer durables, especially autos, expected to advance smartly.

- Imported consumer goods are likely to regain some of their lost market share.

- Corporate profits should benefit from the normal improvement in productivity that follows the end of a recession and help relieve the stringent cost containment programs now in effect.

- Mellowing consumer price sensitivity may encourage a move back to conventional brand advertising.

Shifting Shares

During 1990, in addition to spending less, major advertisers shifted more of their advertising dollars in "measured media" from print to broadcast. While newspapers were the biggest losers, magazines also suffered declines. Autos, Food, Business and Consumer Services, Toiletries and Travel all spent proportionally more on television or radio and less on magazines last year than they did in 1989. Details of ad spending by industry category are presented in the table on the facing page.

Global Trends And The Single European Market

Next year, attention will shift to the Single European Market. There are reasons to believe that advertising activity there will strengthen as merchandisers seek to break down traditional national and provincial boundaries. A special study, Printing in the Global Village done for Comprint International, provides a valuable discussion of likely developments.

Statistics compiled by McCann-Erickson show that advertising overseas is likely to account for an ever larger share of global advertising outlays, sustaining the momentum of recent years.

GLOBAL ADVERTISING SHARE TRENDS

	1985	1995	2000
U.S.	60%	46%	41%
E.C. & Japan	22%	38%	41%
Rest of World	18%	16%	18%

Source: McCann-Erickson

AD GROWTH-U.S.A vs. OVERSEAS

	U.S.A.	OVERSEAS	U.S.A.	OVERSEAS
	Bil. Dollars		Percent	
1984	$ 87.8	$ 58.6	15.8	0.7
1985	94.8	63.3	7.9	8.1
1986	102.1	79.8	7.7	26.1
1987	109.7	102.9	7.4	29.0
1988	118.1	121.4	7.7	18.0
1989	123.9	130.5	5.0	7.5
1990	128.6	144.6	3.8	10.7
1991	132.6	153.5	3.1	6.1
CARG			6.1	14.7

(Compound Annual Rate of Growth)

Source: McCann-Erickson, API

Spending on Newspapers

Newspaper advertising has been affected about as seriously as other print media. Year-to-date Run-Of-Press column inch linage is off by 6%. Inserts, on the other hand, are up a little more than 1%. This compares with a decline in magazine ad pages of about 11% and direct mail of about 6%. Television spending is probably below year ago in current dollar terms by at least 1 or 2%.

1991 Newspaper Advertising Expenditure Estimates

(Million $)

	National	Retail	Classified	Total
1st. Qtr.(r)	981.7	3,496.0	2,292.6	6,770.3
% Chng. 1990	1.6	-8.7	-8.0	-7.1
2nd Qtr.(p)	1,072.4	4,047.1	2,598.3	7,717.9
% Chng. 1990	-1.2	-7.5	-8.6	-7.0
Year-to-Date	2,054.1	7,543.1	4,891.0	14,488.2
% Chng. 1990	0.1	-8.0	-8.3	-7.1

Source: Newspaper Advertising Bureau

The impact nationally of advertising cutbacks on newspapers can best be illustrated by linking measures of performance of major drivers of newspaper advertising to ROP linage.

ROP Linage and Its Major Drivers[1]
(Percent Change Through August)

	Share	
ROP Linage (Column Inches)		-6.0%
Retail Sales (82$)	52%	-2.4%
National (June) (82$)	14%	-3.0%
Classified	34%	
Real Estate (Home sales)	18%	-4.4%
Auto Sales (Units)	40%	-12.4%
Help Wanted	23%	-27.6%

1. A mixed bag. Only national and Help Wanted are actual ad placements. Retail sales, real estate and auto sales are measures of sector activity.
Source: Department of Commerce, API

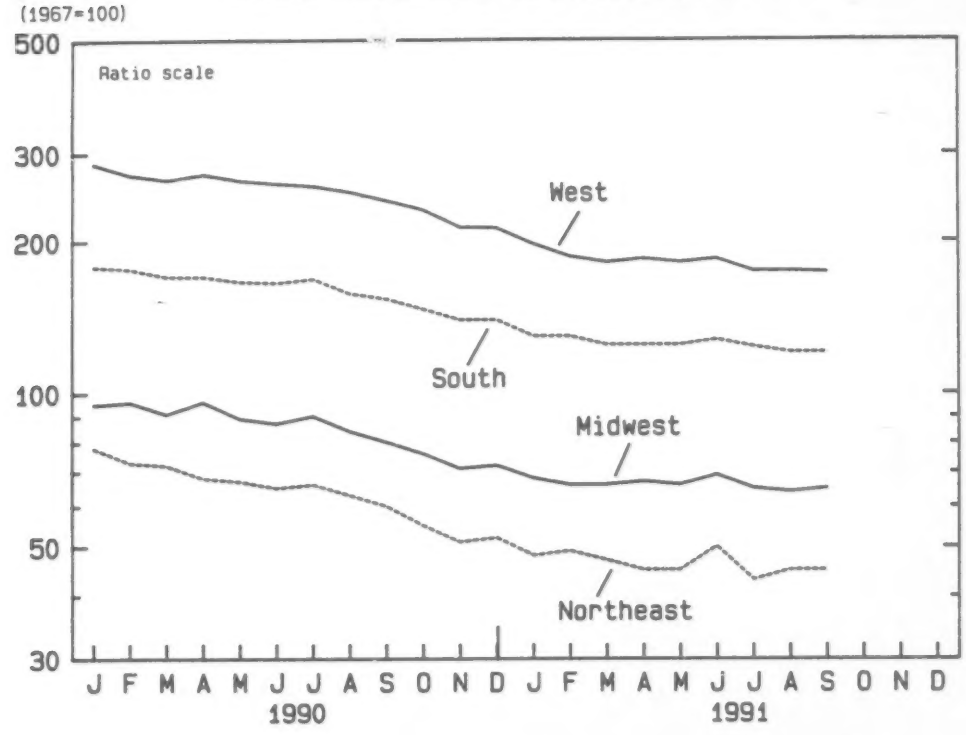
The large, urban papers appear to have suffered the greatest linage reductions. In part this has reflected greater weakness in retail sales, employment and real estate in the major cities. Suburban dailies seem to have been less vulnerable to the effects of the recession. There have also been important regional differences with the Northeast affected the most and the South the least. More detail on regional patterns is provided in the next section of this report.

Sluggish monthly gains in retail sales mask the fact that consumer spending on goods in real terms, especially durables, has been running below year-ago levels. Depressed auto sales are a major reason. Personal incomes have risen but modestly and even though the rate of inflation is relatively tame, real disposable income has declined. The implications for retail advertising, a major part of newspaper advertising, are obvious.

Employment trends that appeared to be turning more positive last spring eased in summer and help wanted advertising remained depressed in September. This trend was almost universal throughout the country. Employers tend to delay hiring following a business upturn in order to benefit from productivity gains.

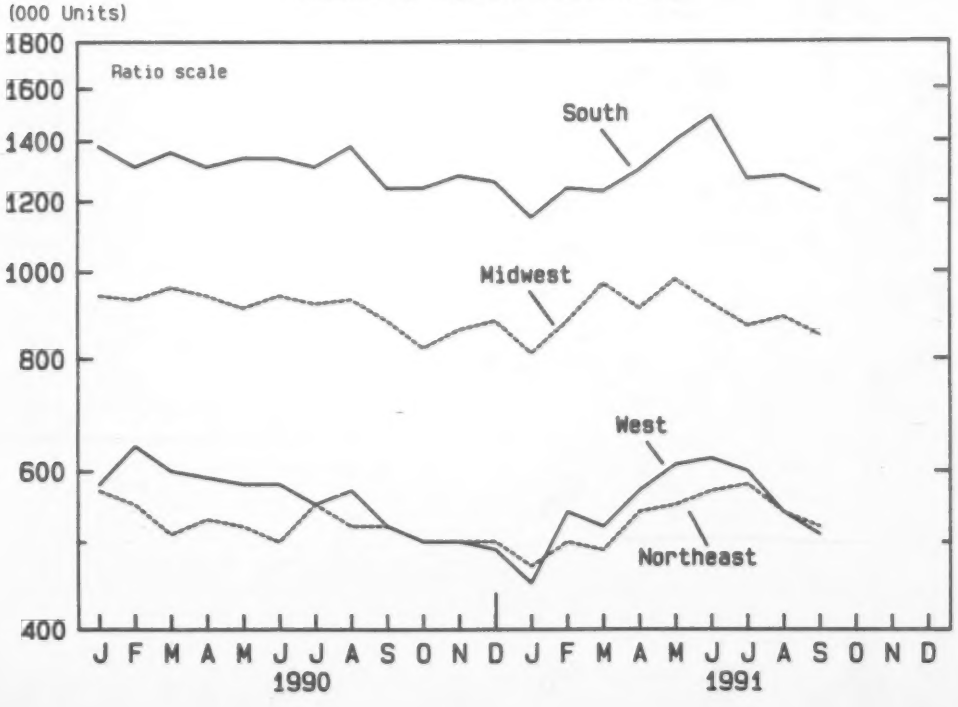
Housing, which had shown signs of firming in the spring, fell back in September. The National Association of Realtors reported that existing single family sales dropped sharply in all regions, maintaining a negative trend established in July.

HELP WANTED ADVERTISING



SALES OF EXISTING SINGLE-FAMILY HOMES

(Seasonally Adjusted-Annual Rate)



REGIONAL NEWSPRINT SUMMARY

Newsprint shipments to the four major regions of the country have largely paralleled regional ROP advertising linage placement. In turn, ROP has been responsive to three main drivers: retail sales (especially autos), real estate activity and help wanted advertising. The Northeast has experienced the most difficulty, the South the least. **The Midwest economy has been holding up better than any of the other regions but ROP linage there has lagged more than it should.** The West has put in a much poorer performance than expected and ROP linage accordingly has been disappointing.

Circulation has also played a role regionally with the Northeast probably experiencing the worst decline. However, special problems associated with the New York Daily News strike and sale gave an apparent boost to competitive papers that obscures combined regional circulation data.

Details of regional circulation and MSA penetration (% household coverage) are available only through 1989. Those trends are detailed below.

Regional Newspaper Circulation and MSA[2] Penetration
(Percent)

	Circulation 1989/84[4]	Penetration[3] 1989	1988
Northeast	-1.1	66.6	68.4
Midwest	-0.8	61.9	63.2
South	+0.8	55.5	56.5
West	+1.3	56.4	57.8
National	+0.0	59.8	61.1

2.Metropolitan Statistical Area

3. MSA Circulation as % of MSA Households

4.Compound Annual Rate of Growth
While circulation showed no growth nationally between 1984 and 1989, gains were made in both the South and West. But between 1988 and 1989 there was an apparent drop in MSA household circulation in all regions as circulation fell nationally.

NORTHEAST

Newsprint Shipments	-1st 9 Months- 1990	1991	% Change
U.S.	433.7	428.2	-1.3%
Canada	1608.8	1366.2	-15.1%
Total (M Tonnes)	2042.5	1794.4	-12.1%

Regional ROP Linage	
Cumulative % Change through August:	-10.7%

Income and Inflation	
Personal Income % Change 1991 Q1/1990	+3.9%
Consumer Price Index: August 91/90	+4.0%

Retail Sales 1982$ % Change Through August	
Auto Dealers	-11.1%
Nondurables less Food	-4.1%
Grocery Store Sales	-1.2%
Restaurant Sales	-6.0%
TOTAL RETAIL	-6.2%

Note: Retail sales deflated by appropriate Consumer Price Index by API

July Employment Trends	
Total Employed (000):	24,125
% Change from Year Ago	-2.5%
Unemployment Rate (Unadjusted)	7.2%

Real Estate Activity	
Existing Home Sales Aug. (000 SAAR)	530
Year-to-Date % Change	-0.2%

Demographics: 1990 Census	New England	Mid. Atlantic	Total Northeast
Population(Mil.)	13.207	37.603	50.180
CARG(1990/80)	0.7%	0.2%	0.3%
Households(Mil.)	4.943	13.930	18.873
CARG(1990/80)	1.3%	0.6%	0.8%
Persons/Household (Non Group Quarters)	2.58	2.62	2.61

SAAR=Seasonally Adjusted Annual Rate
CARG=Compound Annual Rate of Growth

Source: Department of Commerce, Bureau of Labor Statistics, API

Through the first nine months of the year newsprint shipments to Northeastern markets ran 12% below their year ago level. **This drop paralleled an exceptionally weak newspaper advertising performance, estimated to have been down by 11% through August.**

While the actual pattern of decline in linage by major markets in this region is unknown, regional businesses responsible for using ROP advertising were experiencing severe problems.

- Retail sales in 1982$ were estimated to be off their year earlier performance by 6%. **The weakest sector was the automotive trade, down by 11%.** Sales of nondurables other than food fell by 4% while grocery store volume was weaker by 1%. The restaurant trade was especially hard hit.

- Real estate was very depressed with sales of new homes off by one quarter from the year earlier level which had also been very poor. But existing home sales were firming.

- The plunge in help wanted advertising that began last year continued through the summer of 1991. The level was nearly 30% below year ago and as of September was still very sluggish. **Regional employment faces threats of further reductions as a consequence of mergers of major financial and service firms.**

The Northeast has been experiencing unusual problems in banking and finance. Much of the difficulty has stemmed from poor real estate investments and overly generous lending to foreign countries. **Partly for these reasons, local businesses are finding it difficult to borrow and this has been causing a decline in business formation.** New businesses have been growing more slowly than the rate at which existing operations have been going out of business. **Reduced regional employment and business activity have impacted personal incomes, which are now being threatened further with increased state and local revenue raising programs.**

In addition to this poor business environment, regional newspapers face the daunting task of expanding circulation in the face of near stagnant population and household growth. **Although the 1990 census indicates that there were modest gains since 1980, comparison with estimated levels of the late 1980s shows virtually no increase.**

Changes in regional newspaper activity include **suspension of the Manchester (CT) Herald, Union City (NJ) Hudson Dispatch, New York City Tribune, and New York The National.**

MIDWEST

Newsprint Shipments	-1st 9 Months- 1990	1991	% Change
U.S.	438.4	455.8	+4.0%
Canada	1480.1	1350.9	-8.7%
Total (M Tonnes)	1918.5	1806.7	-5.8%

Regional Newspaper ROP Linage	
Cumulative % Change through August:	-5.1%
Income and Inflation	
Personal Income % Change 1991 Q1/1990	+3.9%
Consumer Price Index: August 91/90	+3.4%
Retail Sales 1982$ % Change Through August	
Auto Dealers	-5.4%
Nondurables less Food	+2.9%
Grocery Store Sales	-0.2%
Restaurant Sales	+2.8%
TOTAL RETAIL	-0.8%

Note: Retail sales deflated by appropriate Consumer Price Index by API

July Employment Trends	
Total Employed (000):	26,743
% Change from Year Ago	-0.4%
Unemployment Rate (Unadjusted)	6.2%
Real Estate Activity	
Existing Home Sales Aug. (000 SAAR)	904
Year-to-Date % Change	-3.2%

Demographics: 1990 Census	E N Central	W N Central	Total Midwest
Population(Mil.)	42.009	17.659	59.669
CARG(1990/80)	0.1%	0.3%	0.1%
Households(Mil.)	15.597	6.720	22.317
CARG(1990/80)	0.6%	0.8%	0.7%
Persons/Household (Non Group Quarters)	2.63	2.55	2.60

SAAR=Seasonally Adjusted Annual Rate
CARG=Compound Annual Rate of Growth

Source: Department of Commerce, Bureau of Labor Statistics, API

The Midwest has fared far better than the Northeast in this recession. Even so, regional newspapers have experienced weak advertising markets. ROP linage is estimated to have been down by over 5% as were newsprint shipments.

Large metropolitan areas such as Chicago, Detroit and St. Louis-major newspaper advertising markets-- have been under greater pressure in this recession than the smaller communities. In part this stems from the fact that capital and durable consumer goods manufacturers, who are located at sites having well developed industrial infrastructures, have been more seriously impacted by the recession than lighter, nondurable consumer goods producers. **Until recently there had been more positive signs that the economy was beginning to spark up in the Midwest.**

- Total deflated retail sales were off by less than 1% compared with year ago. Spending on nondurables other than food was higher by nearly 3% and restaurant sales were also stronger. But auto dealer volume remained 5% below last the year real earlier level.

- Real estate activity had been strengthening. New home sales were rising through the spring but then stuttered in summer. They were even on the year as of September . Sales of existing homes were running 3% below the 1990 pace.

- Regional help wanted advertising that had been edging upward fell back in late summer. Nevertheless, the Midwest has experienced less job loss during this recession than has the Northeast or West.

This improving economic climate has healthier financial backing than most other parts of the country. That will permit more rapid growth in business formation as well as provide resources for increased home investment and consumer spending. **Regional newspapers should before long experience a pickup in local retail and classified advertising, which represents the bulk of their business.** Spending by national advertisers will lag, however.

As in the Northeast, the Midwest population growth trends have been relatively flat over the past 10 years. **Furthermore, there are indications here as well that there may actually have been some shrinkage in both population and households during the late 80s.** These trends complicate the outlook for circulation.

Finally, the eastern part of the Midwest has a different timetable for recovery than the western part because of the former's heavier orientation to capital goods and consumer durables manufacturing. There could be a quicker rebound there, especially if farm incomes continue to lag and hold back the western half.

SOUTH

Newsprint Shipments	-1st 9 Months- 1990	1991	% Change
U.S.	2066.8	2102.3	+1.7
Canada	864.2	778.3	-10.0
Total (M Tonnes)	2931.0	2880.6	-1.7

Regional Newspaper ROP Linage
Cumulative % Change through August: -3.8%

Income and Inflation
Personal Income % Change 1991 Q1/1990 +4.1%
Consumer Price Index: August 91/90 +3.6%

Retail Sales 1982$ % Change Through August

Auto Dealers	-3.0%
Nondurables less Food	-2.5%
Grocery Store Sales	-0.1%
Restaurant Sales	-0.9%
TOTAL RETAIL	-2.2%

Note: Retail sales deflated by appropriate Consumer Price Index by API

July Employment Trends
Total Employed (000): 40,192
% Change from Year Ago -0.2%
Unemployment Rate (Unadjusted) 6.9%

Real Estate Activity
Existing Home Sales Aug. (000 SAAR) 1,295
Year-to-Date % Change -3.4%

Demographics: 1990 Census

	So.Atlantic	E S Central	W S Central	Total South
Population(Mil.)	43.567	15.176	26.703	85.446
CARG(1990/80)	1.7%	0.3%	0.1%	1.3%
Households(Mil.)	16.503	5.652	9.668	31.822
CARG(1990/80)	2.3%	1.1%	1.6%	1.9%
Persons/Household (Non Group Quarters)	2.56	2.62	2.69	2.61

SAAR=Seasonally Adjusted Annual Rate
CARG=Compound Annual Rate of Growth

Source: Department of Commerce, Bureau of Labor Statistics, API

Although regional linage ran almost 4% below year ago levels through August, newsprint shipments declined by only 2% during the first 6 months of the year. **That stemmed in part from the fact that the migration of commercial printing plants to the South has increased the local market for all grades of printing paper including newsprint.** It also reflects the fact that population gains have been stronger in this region than all others except the West. Florida in particular has been growing aggressively. **As a consequence newspaper circulation growth, and probably long term penetration also, has been stronger in the South than in the North and East.**

But the regional economy has not displayed as much vigor as one would expect given the growing population. Nevertheless, the estimated drop in ROP is consistent with the character of that economy.

- Through August retail sales were estimated to have declined by about 2% from year ago. Although food sales were about even, nondurables other than food were off by nearly 3% and auto sales were also down by 3%.

- Real estate continued in the doldrums although housing starts were trending higher through the summer. **Improved profitability of single family homebuilders has boosted the volume of residential construction loans.**

- Help wanted advertising was well below normal as of September. Although job losses have not been as severe in the South as they have been in the Northeast and West, there is no strong pressure at this time to increase hiring.

As is the case for much of the nation, southern states are having difficulty in balancing their budgets. **But most southern states obtain a larger percentage of their revenue from Federal sources than does the rest of the country.** Thus, as the Federal government curtails spending, especially for defense, the South could come under greater fiscal pressure. **This could force increased state taxation and in time create a drag on local economies.**

Since the beginning of the year several dailies in this region have suspended operations, merged or converted to weekly publication:

o	Shreveport (LA) Journal	Suspended
o	Asheville (NC) Times	Merged with Ashville Citizen
o	Durham (NC) Sun	Merged with Durham Herald
o	Thomasville (NC) Times	To Weekly
o	Lawton (OK) Evening Constitution	Suspended
o	Arlington (VA) Northern Va. Sun	To Weekly

WEST

Newsprint Shipments	-1st 9 Months- 1990	1991	% Change
U.S.	1217.1	1130.6	-7.1%
Canada	914.0	785.7	-14.0%
Total (M Tonnes)	2131.1	1916.3	-10.1%

Regional Newspaper ROP Linage
Cumulative % Change through August: -5.1%

Income and Inflation
Personal Income % Change 1991 Q1/1990 +4.8%
Consumer Price Index: August 91/90 +4.3%

Retail Sales 1982$ % Change Through August

Auto Dealers	-12.1%
Nondurables less Food	-2.0%
Grocery Store Sales	+0.5%
Restaurant Sales	+5.1%
TOTAL RETAIL	-3.3%

Note: Retail sales deflated by appropriate Consumer Price Index by API

July Employment Trends
Total Employed (000): 24,131
% Change from Year Ago -1.2%
Unemployment Rate (Unadjusted) 7.0%

Real Estate Activity
Existing Home Sales Aug. (000 SAAR) 556
Year-to-Date % Change -5.1%

Demographics: 1990 Census

	Mountain	Pacific	Total West 1/
Population(Mil.)	13.659	37.494	51.153
CARG(1990/80)	1.8%	2.1%	2.0%
Households(Mil.)	5.033	13.357	18.390
CARG(1990/80)	2.4%	1.8%	2.0%
Persons/Household (Non Group Quarters)	2.65	2.74	2.72

1/Excluding Alaska and Hawaii

SAAR=Seasonally Adjusted Annual Rate
CARG=Compound Annual Rate of Growth

Source: Department of Commerce, Bureau of Labor Statistics, API

As of August ROP linage was estimated to be off by 5% in the West. But the American Newspaper Publishers Association reports that through August newsprint consumption by western newspapers was down by over 10%. **The decline in newsprint shipments to the West was consistent with the drop in consumption by dailies. The disparity between ROP linage trends and the use of newsprint is puzzling. Inventory change was not a factor .**

Activity in the West has been affected not only by the recession but also by special problems in California caused by the drought and cut backs in defense and aerospace spending. But growth in personal income has been stronger in the West than in other parts of the country, although it has been outpaced by inflation as measured by the regional CPI. **Higher taxes have also complicated the local outlook for consumer spending.**

- Retail sales are estimated to have dropped by over 3% in real terms through August. The biggest decline has been in the auto sector. On the other hand there has been a surprisingly strong rise in restaurant dollar sales.

- The real estate market has been very soft. Much of that weakness has occurred because of financial difficulties being faced by regional lending institutions. **New home sales in September were 10% under their year ago level while existing sales continued to weaken.** Water supply problems have also curtailed subdivision development plans.

- Help wanted advertising has been as soft in the West as in most other parts of the country. **As of September it was 30% below the year earlier level.** Layoffs were reported to be occurring in defense manufacturing, banking, retail and state and local government. The actual employment loss has not been very large but there is little incentive in other sectors for hiring.

Export markets for western manufacturers were reported to be relatively strong. But there were some indications that shipments to Japan of some commodities were down. Log exports were off by 32%. A strengthening dollar will dampen foreign export trade but encourage increased imports.

The western states have shown the fastest growth in population with both population and households advancing at a compound annual rate of 2% over the last 10 years. This trend is very positive for circulation.

One western daily, the Costa Mesa Orange Coast Pilot, converted to a weekly in July.

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